

**THE ROLE OF INTERNAL AUDIT FUNCTION
IN SUPPORTING GOOD CORPORATE
GOVERNANCE IMPLEMENTATION
IN PT. ASTRA INTERNATIONAL, TBK
(CASE STUDY IN THE DIVISION OF
SALES OPERATION AUDIT)**

RESEARCH ARTICLE

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MALANG
2014**

The Role of Internal Audit Function in Supporting Good Corporate Governance Implementation in PT. Astra International, Tbk (Case Study in the Division of Sales Operation Audit)

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ABSTRACT

This study is aimed to understand the roles of Internal Audit Function (IAF), specifically Sales Operation Audit (SOA), in supporting Good Corporate Governance (GCG) implementation based on the result from external reviewers in PT. Astra International, Tbk. Case study was employed as the research method and designed to answer the research questions. The thematic and content analyses were used for interpreting the data. Moreover, the data collection methods were interview, observation and documentation. The findings of this study point out three main roles of IAF, specifically SOA, in supporting GCG implementation, which reviews corporate risk, provides assurance towards corporate control and assists business activities. In reviewing corporate risk, it requires the auditor to identify and control the risk. Then, in giving assurance towards corporate control, the evaluation of internal control is conducted. The last, in assisting the business activity, auditors become the business partner for management. This study has several implications which are classified into theory, practice, and policy. The theoretical implication refers to IAF which has roles in supporting GCG implementation which can contribute to the development of science, particularly in the audit disciplines. In the field of practical implication, GCG nowadays becomes the important part of company and its good performance will indicate the business sustainability. In addition, Group Audit and Risk Advisory have the key roles which could form them as the important function in Astra. Thus, it is appropriate for them to enlarge their roles for the achievement of company's long-term objectives. The last is implication in terms of policy which is appropriate for regulators and standards setters to continue in encouraging the companies in Indonesia to implement the principles of GCG by creating other initiative activities and/or adding up the incentives, such as the rewards, ease of access, or other motivational things for the companies.

Key words: Internal Audit Function, Good Corporate Governance, PT. Astra International, Tbk.

A. INTRODUCTION

PT. Astra International, Tbk was established at 1957 as Trade Company. The trading activities were initially operated to distribute fruit juices and other agricultural and grocery goods (Gant, 2004). Astra Group have developed into becoming one of the largest national companies which is supported by 189.459 employees in 178 companies, including subsidiaries, associates and jointly controlled entities. They open many opportunities since they became Multi National Corporation to serve many aspect of everyday life in Indonesia, through their six business segments which are automotive, financial services, heavy equipment and mining, agribusiness, infrastructure and logistic, and also information technology (Astra Annual Report, 2012). In addition, the accomplishment of Astra Group for the year 2012 was due primarily to strong sales in car which enabled them to report another year of record earnings and net assets per share. It means that, as the corporate operation, the automotive sales operation was getting higher in its sales volume, as Astra Annual Report (2012) stated that net revenue from the automotive business in 2012 has increased by 25% from 2011. Thus, it contributed to 53% of the total Astra Group net revenue in 2012.

Another high achievement by Astra has been proven by getting several awards and recognitions, especially in corporate governance area. The reward was published by Asiamoney Online Magazine and Astra was in the third position of Overall Best Company for Corporate Governance in Indonesia in 2011. Moreover, another recognition came from the Indonesian Institute for Corporate Directorship that put Astra on the list of Top 30 Companies with the

Highest Score on Corporate Governance Score in 2013 (IICD Press Release, 2013). SWA Research (by SWA Online, 2011) also declared that Astra was on the list of Indonesia Most Trusted Companies in 2011.

Astra has formulated guidelines since 2006 which can ensure that the management chaired by the Board of Directors is professional, transparent and responsible. In the development of guidelines that was then known as the code of good corporate governance (GCG), these guidelines can also serve as a guide to the members of the Board of Directors and the Board of Commissioners on ways to effectively operate the company with full adherence to rules and regulations and the Company's Articles of Association as well as the principles of GCG.

GCG is the system that manages and controls the company's operation in order to give value added to the entire stakeholder (Monks & Minow, 2003). There are five main components in GCG, which are transparency, accountability, responsibility, independency, and also fairness (National Committee on Corporate Governance [KNKG], 2006). Those components then become the principal of good corporate governance in order to boost up the financial report and also minimize the fraudulent activities. The objective of good corporate governance is also to be an internal control of the company.

In several previous studies, it was found that IAF may have positive influence on corporate governance, including reporting quality and firm performance (Schneider & Wilner, 1990; Hansen 1997 in Gramling et al., 2004). IAF is the part of solution towards a sound internal control system (Bailey et al., 2003).

Internal audit function in Astra is called as Group Audit and Risk Advisory (GAnRA). GAnRA has a critical role in providing independent and objective advice to Astra Group management in respect to an effective implementation of control systems to support the company's objectives and mitigate the risk (Astra Annual Report, 2012). Risk based audit is carried out based on international standards from the Institute of Internal Audit (IIA) and the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Moreover, the standards related to structure and position, roles and responsibilities, report and follow up, and the internal audit staffing are declared in the Astra Internal Audit Charter.

There are five functions under GAnRA, which are Development and Quality Assurance, Astra Affiliation Company Audit, Sales Operation Audit, IT Audit, and Risk Advisory. The function that has the most rigid process on internal audit compared to others is Sales Operation Audit (SOA). This is because the areas of audit cover finance and administration, unit, service and also indirect part. Those areas could be applied into all of the entire entity of sales operation, thus it makes the audit program almost the same.

This study deals with the sales operation audit as it becomes the part of internal audit function in Astra. In addition, as discussed previously that the sales operation activity has contributed to the accomplishment of Astra Group, the roles of SOA need to be investigated since it has critical role to perform audit in sales operation area. The objectives of the study are (1) to identify the roles of SOA (as the part of IAF) in Astra, (2) to identify the performance of GCG implementation according to the external reviewers, (3) to understand the roles of IAF, particularly SOA, in supporting GCG implementation.

B. LITERATURE REVIEW

The Role of IAF and Link to GCG

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve organization's operations. It helps an organization to accomplish its objectives by employing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes (The Institute of Internal Auditor [The IIA], 2002).

Internal audit has evolved from a function which targets financial and accounting issues to a function that focuses on a wide range of operating activities and becomes an integral part of the governance structure (Gramling & Hermanson, 2006). Its role is to serve as a resource to the board and the audit committee by providing information assurance, advice and expertise.

GCG and Its Implementation in Indonesia

Corporate governance is one key element in improving economic efficiency and growth as well as enhancing investor confidence. The presence of an effective corporate governance system, within an individual company and across economy as a whole, helps to provide a degree of confidence that is necessary for the proper functioning of a market economy. As a result, the cost of capital is lower and firms are encouraged to use resources more efficiently, thereby underpinning growth (Organization for Economic Co-operation and Development [OECD], 2004).

According to Indonesia's Code of GCG which published by KNKG in 2006, there are five general principles that should be implemented on each business facet and within the entire company, namely transparency, accountability, responsibility, independency, and fairness.

The history of corporate governance in Indonesia started from the financial crisis in East Asia (Daniel, 2003). In Indonesia, the economic and monetary crisis turned into a multidimensional crisis. One of the main factors that caused such crisis to happen was the inconsistency of GCG implementation by a number of companies (KNKG, 2006). In another point of view, this issue also brought the attention of the investor, which needs protection for their investment. Studies by La Porta et al. (1999) in Daniel (2003) show some relationships between legal protection and the existence of corporate governance. In conclusion, that legal protection and large investors are complementary in an effective corporate governance system.

The Indonesian code of corporate governance is adopted from the OECD principles of corporate governance (KNKG, 2006). The Code describes steps to be taken in creating checks and balances process, enforcing transparency and accountability, as well as promoting corporate social responsibility toward the company long-term survivability.

Performance of GCG

There are several organizations that assessed GCG, namely Indonesian Institute for Corporate Directorship (IICD), Indonesian Institute for Corporate Governance (IICG), SWA Online Magazine, Asiamoney Online Magazine, and so on. The assessment is based on the principles of GCG, business strategy, company's report, and other things related to corporate governance.

The assessment on GCG has objective to establish corporate governance and stakeholder's awareness that follow the standards, do mapping problems and improve the performance indicators in order to attain the quality of corporate governance (The Indonesian Institute for Corporate Governance, 2011). Other objectives are to improve the standards and practices in company and also to enhance the global investment attractiveness (Organization for Economic Cooperation and Development, 2012).

Previous Literatures Related to the Role of IAF in Supporting GCG Implementation

The first study is refers to IAF has an active role in corporate governance since it is significantly and positively associated with the use of a risk-based audit plan, existence of a quality assurance and improvement program, and audit committee input to the audit plan (Sarens et al., 2012). Then, the study conducted by Bota-Avram in 2012 has result that internal audit become one of the most important key elements of the corporate governance process and being the valuable support for management, as it able to focus over the value added in internal audit in the area of corporate governance, risk management, and interaction with other stakeholders. In addition, the exploration of internal audit role in corporate governance has conducted by Alkafaji and Majdalawieh (2012) in United Arab Emirates (UAE). It indicates that the majority of organizations in UAE have audit committee and it has close relationship with the internal audit. Besides, internal auditing viewed as independent bodies and free from management influence.

Next literature shows that IAF has unique opportunity to serve an important role in acting as a resource to the other parties charged with monitoring, maintaining, and enhancing the quality of an entity's corporate governance. To do so, there should be a collaboration between internal audit and management, audit committee as well as external auditor (Gramling et al., 2004). Then, the article by Gramling and Hermanson (2006) has concluded that the collaboration and shared mission between the board, the audit committee, and the internal auditors will help to maintain quality corporate governance and build investor confidence. Tabara and Ungureau (2012) pointed out in their article about board of directors, management, and internal auditors in mechanism of governance system. Besides, since the audit committees have the responsibility to supervise corporate governance, the governance itself plays a key role in improving capital market efficiency

by impacting on their operations and integrity of information provided. The last literature by Boyle et al. (2012) shows that internal auditors need to be able to work closely with executive management, audit committee and the full of board directors, as the increasing focus on corporate governance provides them an opportunity to enhance their strategic role in the organization. In order to establish credibility, they need to have strong social interaction skills and broad business expertise, such as communication, leadership, influence, business expertise in strategic planning and enterprise risk management.

C. RESEARCH METHOD

This study employed qualitative and case study as the method and the design. Qualitative research involves fieldwork (Merriam, 1988). The researcher physically goes to the people, setting, site or institution to observe or record behavior in its natural setting. In case study, a single or multiple entity or phenomenon and activity (program, event, process, institution or social group) are observed from time to time and explored; detailed information is collected by employing a variety of data collection procedure during a sustained period of time (Merriam, 1988; Yin, 2003).

Moreover, this study is categorized as descriptive case study in order to describe an intervention or phenomenon and the real-life context in which it occurred. Then, single holistic case design is employed as it investigated the nature of internal audit function, specifically sales operation audit. Single holistic case study has purpose to examine only global nature of an organization or of a program that requires careful investigation of the potential case (Yin, 2003). Furthermore, this study is categorized as intrinsic case study. As adopted from Stake (1995), it intends to have better understanding on intrinsic aspects of the particular case because of the uniqueness or ordinariness.

This study is focused on the IAF, particularly SOA. In addition to the research scope, the measurement of GCG performance in Astra was based on the result from external reviews conducted by Asiamoney Magazine in 2012, SWA Online 2011, and IICD in 2013.

The interview (Babbie, 2005; Creswell, 2005; Bougie & Sekaran, 2010), observation (Kumar, 1996; Denzin & Lincoln, 2011) as well as documentation (Denzin, 1978; Singleton & Straits, 2005) are employed to collect the evidence in this study. Related to the interview, the informants in this study are SOA department head (RA), sales operation auditor (TH), and staff of legal division (AP). The observation was conducted on Astra Head Office and other 7 subsidiary offices. Then, the documentation which refers to archival records had been employed the documents of company's report, structure of organization, company's standards or policies, official websites and other related information.

The data analysis techniques employed in this study were thematic analysis for primary data and content analysis for secondary data. Then, the triangulation was employed to test out the accuracy of data and to construct the research validity. Thematic analysis is a type of a qualitative analysis that is used to analyze the classifications and present themes that relate to the data (Boyatzis, 1998). As the method to code and categorize the data into themes, the processed of data can be displayed and classified according to its similarities and differences (Miles & Huberman 1994). Subsequently, the content analysis is about the study of human communications (Babbie, 2005). The suitable forms for study are books, magazines, web pages, poems, newspapers, songs, paintings, speeches, letters, e-mail messages and bulletin board postings on the internet, laws, constitutions, as well as any components or collections thereof. Moreover, triangulation method is the use of multiple and different sources, methods, investigators and theories to provide corroborating (Creswell, 2007).

D. FINDINGS AND DISCUSSION

SOA as the Integral Part of GAnRA

GAnRA is an independent working unit under and responsible directly to the President Director, it also had close working relationship with the Audit Committee (Astra Annual Report, 2012). According to Astra Sustainability Report year 2012, GAnRA has a critical role in providing independent and objective consultation services to Astra Group management in respect to effective implementation of control systems to support company's objectives as well as to mitigate risks. It performs internal audit program in conducting risk-based audits based on the international

standards of The IIA and the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The audit process can be seen in the figure below.

Figure 1: Audit Process in GAnRA



Source: Group Audit and Risk Advisory (2013)

It is started with the annual planning where the whole activities in GAnRA have to be set in line with company's objectives and strategies. The next stage is project planning and execution which compelled the auditor to specialize the general plan into the division level then followed by the execution of the plans. Then, in the stage of reporting and completion, the result of audit would be reported to the parties comprised in the audit reporting lines. The last stage is quality assurance which has function to review and ensure whether the audits that are carried out across Astra Group are in accordance to established standards.

SOA is the integral part of GAnRA. Since this division has the most rigid process on internal audit compared to others, the areas of audit which covers finance and administration, unit, service and indirect parts could be applied into the entire entity of sales operation. Moreover, it makes the audit program becomes almost the same. SOA conducted in corporate operation areas including Toyota Sales Operation, Honda Sales Operation, Daihatsu Sales Operation, Isuzu Sales Operation, UD Trucks Sales Operation, BMW Sales Operation, Peugeot Sales Operation, and AstraWorld.

The common types of audit which are carried out in this division are regular audit along with follow-up or implementation status of recommendation (ISR) audit. The audit flow is shown on the following figure.

Figure 2: Audit Flow in SOA



Source: Processed data from Group Audit and Risk Advisory (2013)

The planning or desk audit is started as the preliminary overview and risk assessment. In this stage, auditor utilizes result of analysis by surveillance and desktop audit. They might do vouching as the sampling test of head office documents. As it is stated on the results of observation conducted in 2013:

"In performing the test called vouching, the auditor would test out whether the documents of transaction are along with supporting documents as it became the evidence of transaction."

Next is walkthrough audit which has to confirm design and management understanding of control. Auditor might conduct an interview with personnel of key management to carry out the confirmation. Besides, they would perform some cut off testing such as cash counting, stock opname of parts, and other similar testing. It is followed by detailed audit as the detail examination of document and sampling test. The result from planning and walkthrough audit will influence area of focus and number of sample tested. Furthermore, the assessment of auditor called professional judgment will be affected. The last but not least is report development. In gaining the transparency, auditor would gather the audit result, finding, conclusion, as well as recommendation which are needed to be confirmed and responded by the auditee.

The Roles of GAnRA, specifically SOA

1. Assisting the Business Process

In assisting the company, GAnRA has to ensure the quality of business process. This is the natural role for them since it is considered as one of the corporate functions. In overseeing process of business, whether it is good or not, mostly, good quality of business process is supported by good control in company. It means that control serves as the main components for effectiveness and efficiency.

In addition to the role of GAnRA, they have to be able to check the compliance of process with the rules or regulations, policies, standard operating procedures and other similar things as the supporting evidence declared on Astra Internal Audit Charter, 2013:

“The Group’s organizational structure, policies, standard operating procedures, accounting principles, business processes, risk management, internal control, fraud prevention, governance and information systems are ensured appropriately to align effectively and efficiently for achieving the Astra’s goals in a manner that contains risks at an acceptable level and complies with applicable laws and regulations”

As a result, compliance audit became one of the roles and responsibilities of GAnRA for achieving company’s objectives by looking at the existed policies. Audit finding which indicates poor control will lead to losses, scandals, failures, and damage reputation of organization. Therefore, it requires the auditor to give recommendation about the corrective action. Besides, it would build up management’s control and as a result, the company would get better audit grading. As soon as the control in company is good, it can boost the performance. These things are coherent with the IIA Standard 2120 in Pickett (2005), which stated that the internal audit activity should assist the organization in maintaining effective controls by evaluating the effectiveness and efficiency as well as by promoting continuous improvement.

2. Controlling the Risk

Risks become the main things which have to be controlled. It refers to something that can resist the attainment of goal. In contrast, control can boost success. The nature of good control is in which the risks can be covered. The core activity of GAnRA is conducting the assessment whether the key risks are appropriately covered and evaluated. As it attached on Astra Annual Report (2012):

“Group Internal Audit assumes a critical role in providing independent and objective advice to Astra Group management in respect of effective implementation of control system to support the company’s objectives and mitigate risks”

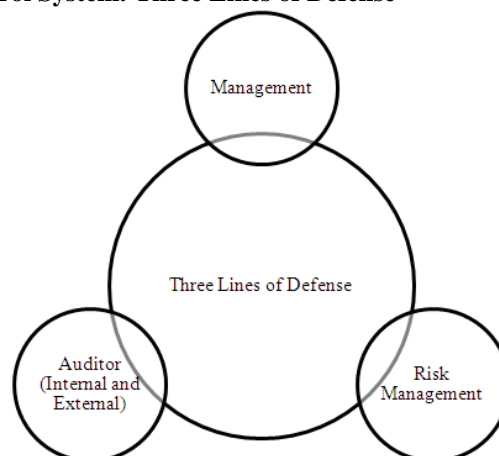
This thing also supported by the statement from key informant (RA):

“We have to assure that the risk in this dealership business has already been well-mitigated”

These findings are consistent with Soh and Martinov-Bennie (2011), who find that the role of internal audit is to provide an independent review of risk processes and ensure that risk mitigating controls are in place.

Talked about the tool of control, in controlling the business, Astra applies concept named three lines of defense (Astra Annual Report, 2012). In this concept, there are three lines or parties which have responsible to control the company. It can be seen on the figure below.

Figure 3: Internal Control System: Three Lines of Defense



Source: Processed data from Annual Report year 2012 (2013)

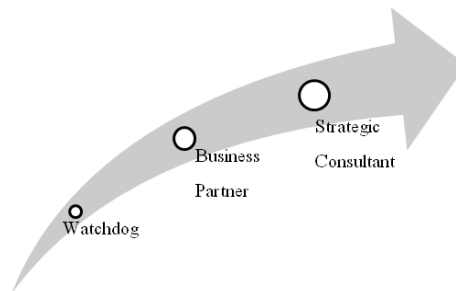
The first line is managements, who have responsibility in monitoring control to ensure that the control deviations have been detected and responded in timely manner. Second line is risk management and other assurances that have roles to conduct periodic monitoring on controls

operation. Next, on the third line are internal and external auditors, who conduct rotational audit to corroborate control designs and operations. The three lines of defense approach presents internal audit with a unique opportunity (Daugherty & Anderson, 2012). By explicitly recognizing the layers and multiple providers of assurance, IAF can provide an additional role in the governance process. Thus, by applying this approach, SOA can be the value added for Astra.

The Changing Paradigm in SOA

To be in line with the challenge of business, auditors have to be adaptable to every business condition. It means that they have to act flexibly in responding to the circumstances. In relation to that phenomenon, auditors need to fulfill the needs of business that has encouraged them to create better strategies. One of those strategies is shown by some changing on audit paradigm. The changing of paradigm can be seen in the upward arrow below.

Figure 4: Audit Paradigm



Source: Processed Data (2013)

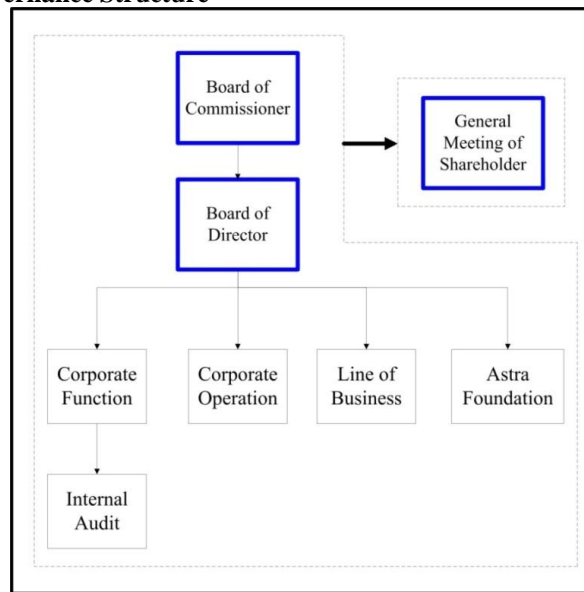
The initial paradigm is SOA serves as watchdog in company to find out the fraud and poor control. Then at present, the paradigm has been changed into business partner to assist the management in doing business. Afterwards the vision of audit paradigm as the strategic consultant is having more involvement in the corporate level. The followings are the detail descriptions of the changing audit paradigm in SOA.

Good Corporate Governance in Astra

As one of the main elements in the company, GCG practices are implemented by managements as well as employees in order to achieve the company's objectives. The approach is based on good faith that indicates about the right decisions making process which would drive the sustainable development of Astra Group. Astra's governance principles and policies are based on the company's philosophy, namely *Catur Dharma*, and derived from the Indonesia Good Corporate Governance Guideline by KNKG, laws and regulations and practices applied in Indonesia and worldwide. The general principles comprise transparency, accountability, responsibility, independency, and fairness.

In Astra, the GCG Structure is based on the Limited Liability Company Law. It consists of three independent bodies within the company. They are General Meeting of Shareholders (GMS), the Board of Commissioner (BOC), and the Board of Director (BOD). Each of them has different responsibilities and authorities to carry out its duties and functions for the interest of the company. It can be seen by the following figure.

Figure 5: Astra Governance Structure



Source: Processed Data (2013)

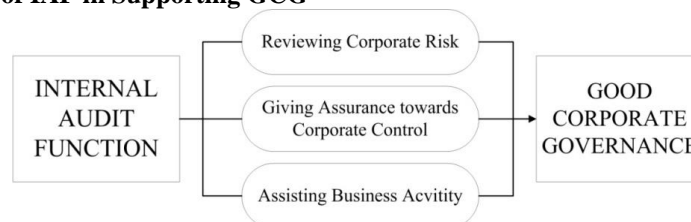
There are three main bodies in Astra Governance Structure, namely General Meeting of Shareholders, Board of Committee, and Board of Director. They were independent bodies which have different duties and authorities for the interest of the company. In addition, the corporate functions, corporate operation, line of business and Astra foundation are under the responsible and the supervisory of those three main bodies.

The performance of GCG implementation in Astra has been recognized by several external parties. The first awards came from Asiamoney magazines (2011) by achieving Second Position for Responsibilities of Management and The Boards of Directors in Indonesia, Third Position for Overall Best Company in Indonesia for Corporate Governance, and Third Position for Best Disclosure and Transparency in Indonesia. Next, Astra get recognized by Indonesian Institute for Corporate Directorship (IICD), as The Top Thirty Companies with the Highest Score on Corporate Governance in 2013. The last award was from SWA Research which showed that Astra was on the Second position for Indonesia Most Trusted Companies 2011.

The Roles of SOA in Supporting GCG Implementation

As the integral part of GAnRA, SOA is included in the corporate function. Therefore, SOA activities would directly support GCG implementation as well. Moreover, since the structural corporate function provides BOD as well as BOC, this division might indirectly affect the shareholders. Thus, structurally, SOA has the direct role to maintain GCG (see figure 5). There are three main roles for SOA to support GCG; it is shown on the figure below.

Figure 6: The Role of IAF in Supporting GCG



Source: Processed Data (2013)

In reviewing corporate risk, it requires the auditor to identify and control the risk. Then, in giving assurance towards corporate control, the evaluation of internal control is also conducted. The last, in assisting the business activity, auditors become the business partner for management. In addition to the key roles for SOA, auditor needs to employ President Letter as the guidance for

SOA activity, to be the main reviewer for GCG and to give recommendation to boost the efficiency and effectiveness of business process.

Moreover, SOA has prepared some strategies to follow the changing of business and to maintain its role in company. The strategies are as follows.

1. Risk-based auditing as the Audit Methodology

Since the areas of concern for SOA are based on the level of risk, this method is considered as the appropriate technique. To confirm the use of risk based auditing, RA mentioned that:

“The internal audit in Astra has concern to apply risk based auditing. This is the method to assess the risk by looking whether it is already covered by standard operating procedure or not.”

The purpose of this method is to assess the risks attached in the areas of asset, finance, and so on. It can be done by high-lightening the key risk and evaluating its controls. Sarens et al. (2012) also pointed out about this finding. The IAF which apply risk-based audit approach has purpose to ensure that the work conducted by internal auditor is focused on areas on concern to the organizations.

2. Regulations as the Core for Compliance Audit

SOA has an indirect role towards the whole implementation of code of conduct as well as code of ethics, but it has to report the finding about the fraud or other unethical things. Therefore, the guidance for compliance audit is the existed regulation as it becomes the core of obedience.

3. Technologies as the tool for assistance

Surveillance is applied as the system to automate the analysis which provides the auditor to obtain the data immediately. The scheme in analyzing the data is like helicopter view in seeing a group of data. The data is the information contained in financial report which existed in Enterprise Resource Planning Software namely SAP and PSS. As the result of analysis, there will be the types of data which are considered as high risk thus it is preferred to be audited, and if the data which are considered as low risk thus it is deferred to be audited. In addition to surveillance, SOA utilizes software named Audit Common Language (ACL) and SQL as the other software to manage the data in relation to database management system.

4. Collaboration with Management, BOD, Audit Committee and External Auditor

The reporting lines, management, BOD as well as audit committee would maintain the good communication with SOA. The statement in Astra Internal Audit Charter (2013) also declared:

“The findings, recommendations, management responses and status of implementing audit actions will be reported to relevant Line Management, Senior Management, President Director and the BOC.”

Furthermore, as the authoritative bodies, they have to support and provide the effectiveness and independence of SOA, in such the audit committee would give input on the annual planning as well as quarterly performance review. Then, as the collaboration with the external auditor, SOA will allow them to involve on audit project to evaluate the process and internal control system. In addition, there will be periodic meeting between SOA and external auditor to update the progress, finding, or other things related to their task.

Since the result of the major accounting scandals and related reform is higher, this collaboration is needed in order to reduce the risk of lost investor confidence (Gramling & Hermanson, 2006) and it will support IAF to maintain the quality of corporate governance (Gramling et al., 2004).

5. “The Right People Strategy” for SOA

As the criteria for chief audit executive (CAE), the head of GAnRA has internal audit qualification. Then for internal auditor, they should have strong social and interaction skill as well as broad business expertise such as communication, leadership, influence, and business expertise. In boosting up their performance, there is an existence of quality assurance and improvement program. Quality assurance is the program to ensure the quality of auditor, particularly about the process of audit as it is declared on Astra Internal Audit Charter, 2013:

“Monitor compliance with Internal Audit Policies and Procedures through reviewing the quality of Internal Audit work”

Another strategy is called as improvement program, aimed to enhance the capacity of auditor. This fact is also mentioned by RA:

“Every auditor has a chance to get training, according to their competencies”

The improvement program for auditor can be done by giving them training or other similar improvement program based on their needs and competencies. These things are also the same as mentioned by Sarens et al. (2012). IAF should be encouraged to put in place the quality assurance and improvement program in order to have more active role in corporate governance. In addition to increase the role of IAF, there should be CAE with an internal audit qualification.

E. CONCLUSIONS AND SUGGESTIONS

Conclusions

There are two main roles comprised in GAnRA, specifically SOA. The roles are assisting the business process and controlling the risk. In assisting the business process, they need to ensure the quality of process by being responsive to audit finding as well as able to check its compliance with the existed laws and regulations. Then, in controlling the risks, they have to create reasonable assurance about effective operating control by conducting the assessment where key risk are appropriately covered and evaluated. In identifying the risks, the methods are combining the result from risk register and risk by auditor, and then performing annual review. In addition to the concepts of control, Astra applies *three lines of defense* comprised the control by management, risk management, and auditor.

Astra applies GCG principles and code of conduct as the formal policy document in company. Those policies are based on the company's philosophy namely *Catur Dharma*. It is derived from the Indonesia Good Corporate Governance Guideline and the applicable laws, regulations, as well as practices in Indonesia and worldwide. The performance of GCG implementation in Astra has been recognized by several external parties, namely Asiamoney, IICD and SWA.

There are three key roles for these functions to support the performance of GCG implementation, namely reviewing corporate risk, giving assurance towards corporate control, and assisting business activity. In detail explanation, SOA has to identify and control the risk, evaluate the internal controls, assist the business process, employ the president letter as the guidance, be the main reviewer for GCG, and provide recommendation to boost the efficiency and effectiveness of process. In maintaining its roles, SOA applied some strategies which are employing risk-based auditing as the method, carrying out the existed regulations for compliance audit, utilizing technology as the tool for assistance, collaborating with managements, board of directors, audit committees, and external auditors. The last strategy is having the right people strategies for head of internal audit as well as internal auditor, such as the standards of qualification, the existence of quality assurance and program improvement.

Based on the findings of this study, Astra has been put more attention to the implementation of GCG as it could affect the company's sustainability as well. The accomplishment of its implementation is proven by several recognitions from the external reviewers. In addition, as the elements of corporate functions, GAnRA specifically SOA has the key roles to support GCG. The reasons towards these are exposed in the company's philosophy, stating to be an asset to the nation, to provide the best service to the customers, to respect individuals and promote teamwork, and to continually strive for excellence. Those principles have been established as the strong corporate culture and foundation for Astra.

Research Implications

This study has several implications which are classified into theory, practice, and policy. The theoretical implication refers to IAF which has roles in supporting GCG implementation, thus it can contribute to the development of science, particularly in the audit disciplines.

In the sphere of practical implication, GCG nowadays becomes the important part of company, as it is pointed out about the right manner in performing decisive matter regarding corporation. Company needs to act in good faith and in accordance to the principles as well as to provide all of the elements with the adequate tools, such as sufficient structures, policies, rewards and recognitions, and other supporting instruments. As the existence and the involvement of IAF would positively affect the accomplishment of GCG implementation, there would be a good performance of GCG which indicates how great the business sustainability is. In addition to the practical implication, in supporting GCG implementation, GAnRA has the key roles which could form them as the important function in Astra. As a result, it is appropriate for GAnRA, specifically SOA to enlarge their roles for the achievement of company's long-term objective.

The last is implication to policy. As a result of the good implementation of GCG in Astra, some numbers of awards by external parties are achieved. Thus, it is appropriate for regulators and standard setters to continue in encouraging the companies in Indonesia to implement the principles of GCG by creating other initiative activities and/or adding up the incentives, such as the rewards, easiness of access, or other motivational things for the companies.

Research Limitations

Since this is qualitative study, there are a lot of data obtained from the phases of data collection. Because the information in the form of complex data, it made the process of data management, specifically in data coding, became quiet hard and the process of analyzing the data became long. In addition to the limitation, for the reason that the informants in this study were employees of company who put priority on their job, the interview had to be scheduled long time before it was conducted. Therefore, the step of data collection in this study requires longer time and process. Additionally, as the data in this study, the information becomes the part of the company's strategies and the content is confidential. Therefore, not all of them are accessible.

Suggestions for Future Research

The empirical evidence in this study needs to be further investigated as it only concerns on the descriptive purpose. More intensive investigation, either in an explanative or explorative purpose, is suggested to be conducted. When some phenomena happen, in terms of explanation, it is focused on explaining "how", whereas in terms of exploration, it is focused on exploring "why". In addition to the suggestion for the next research, it could be performed by employing the same methods at the different unique objects. The uniqueness could be something different and extraordinary, otherwise the phenomena might arise in company, such as the performances, policies, the awards that they receive, and so on.

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